



**LOSS TRUST FUND BOARD REGULAR MEETING
7447 E. Indian School Rd., Suite 210
Financial Services Conference Room
Scottsdale, Arizona**

**January 20, 2009
8:00 a.m.**

PRESENT: Dean Coughenour, Chair
Joe Taylor, Vice-Chair
Jett Anderson, Board Member
Norm Cocanour, Board Member
Peter Crowley, Board Member

STAFF: Pauline Hecker
Scott McCarty
Ken Nemec
Bruce Washburn, City Attorney's Office

CALL TO ORDER

Chair Coughenour called the regular meeting of the Loss Trust Fund Board to order at 8:00 a.m.

ROLL CALL

A formal roll call confirmed the members present as stated above.

OLD BUSINESS

1. Approval of January 30, 2008 Minutes (Action)

BOARD MEMBER COCANOUR MOVED TO APPROVE THE JANUARY 30, 2008 LOSS TRUST FUND BOARD REGULAR MEETING MINUTES. BOARD MEMBER ANDERSON SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

2. Approval of November 13, 2008 Minutes (Action)

BOARD MEMBER CROWLEY MOVED TO APPROVE THE NOVEMBER 13, 2008 LOSS TRUST FUND BOARD REGULAR MEETING MINUTES. VICE-CHAIR TAYLOR SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

NEW BUSINESS

3. Nominations and Elections of Chair and Vice-Chair (Action)

BOARD MEMBER COCANOUR MOVED TO APPROVE THE NOMINATION OF CHAIR COUGHENOUR AS THE 2009 CHAIR OF THE LOSS TRUST FUND BOARD. BOARD MEMBER CROWLEY SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

BOARD MEMBER ANDERSON MOVED TO APPROVE THE NOMINATION OF VICE-CHAIR TAYLOR AS THE 2009 VICE-CHAIR OF THE LOSS TRUST FUND BOARD. BOARD MEMBER CROWLEY SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

4. Administrative Review of Loss Trust Fund (Information)

• Property-Casualty Review

Ms. Hecker presented the Board with property-casualty information regarding the first two quarters of FY 2008. There has been an across the board increase in the number of claims compared to the first two quarters of FY 2007.

The City underwent an internal audit of the Workers' Compensation function in the fall of 2008. This audit revealed that claims were not being set up in the City's system when the notice was sent to the Industrial Commission. The auditors asked that the City set the claims up as soon as the notice is sent, even if it is unknown whether the Commission has accepted it. There is an expected decline in that number when that event is calendared in the fall of 2009. A \$500 reserve is being set for all claims until it is determined whether the claim will be accepted, which is reflected in the reserve increase on the Workers' Compensation line. In addition, there were two serious firefighter injuries so far in 2009, which have fairly high reserves placed on them. There has been an increase in the City's general liability claims, as well as an increase in the severity of those claims, which is reflected in the 12 percent increase in reserves.

With regard to auto liability, Ms. Hecker explained that number primarily reflects one claim where a City employee struck an elderly gentleman in a crosswalk. That claim will be fairly expensive.

The firefighter injuries occurred during training, not during the course of a fire suppression incident. Board Member Anderson asked if those injuries reflect a majority of the \$1.8 million, and Ms. Hecker explained they reflect approximately 25% of that figure.

Board Member Crowley asked if the City is taking steps towards addressing the significant auto liability increase. Ms. Hecker indicated every employee who is found to have had a preventable accident is sent back through driver training. In addition, the Police Department offers it on an ongoing basis. Employees are also sent through Smith Driver Training on a regular basis.

Chair Coughenour asked what types of claims are driving the increase to the general liability category. Ms. Hecker said there have been a number of road hazard claims where there have been accidents on the roadways and the people involved are blaming the City for bad design.

In response to an inquiry by Chair Coughenour, Ms. Hecker explained many employees never sought any medical treatment after a Workers' Compensation report of injury; therefore the claims were not denied, but were administratively closed. In the past, reports were not being sent to the Industrial Commission until the employee actually sought medical treatment. The process now requires a report to be sent to the Industrial Commission at the first report of injury.

Board Member Cocanour asked for more information regarding the firefighters' training injuries. Ms. Hecker explained injuries during training usually happen when the firefighters are doing their physical training, not necessarily their training for fighting fires.

Ms. Hecker pointed out that there is a large increase in general liability payments compared to the previous year. That is due to a number of settlements the City made on some general liability claims, one of them being a man killed in a crosswalk. A number of other accident-related claims have also been settled.

Ms. Hecker reiterated the Workers' Compensation line is also up due to the auditors' request to accelerate the process for paying medical bills. The Workers' Compensation adjuster has made a tremendous effort to get completely caught up over the course of the last five months, which pushed payments into the second quarter of the year that otherwise would have been made in the third quarter.

Board Member Anderson asked if staff is confident the increase in the incurred is nothing to be concerned about, and that it is being funded sufficiently. Ms. Hecker stated the last actuarial report showed there is an over-reserve in the Loss Trust Fund versus the recommended fund balance. At this point in time there may be some concern; however, it should be sufficient for the next actuarial study. Some of the increase is due to accelerating payments on claims where there was a liability concern. The City paid the claims in order not to incur heavy legal expenses.

Pointing out the large general liability number, Board Member Crowley asked how taking out the top two claims would affect that figure. Ms. Hecker indicated one claim was \$400,000, but that she could not recall the other amount.

Chair Coughenour stated one or two large claims is one thing; however, a large frequency issue would affect reserve amounts and what would be sufficient in regard to funds available for claims. He asked that those numbers be available to the Board in the future in order to determine if reserves are sufficient.

- **Group Health and Dental Review**

Mr. Nemec explained this is the time of year that the City works with its benefit consultant, Mercer, on renewals for the FY beginning July 1, 2009. In the February/March time frame, the renewal numbers are presented to City Council. Open enrollment then runs through April and May and becomes effective July 1st.

Preliminary numbers from Mercer look very good, and staff is currently discussing a renewal as-is with no benefit changes. The City is currently looking at a one to two percent increase in the full premium funding rate for FY 2010, and with some adjustments to plan design staff is hoping to bring that to a zero increase for the coming year. A final number should be available by the end of the next week.

Aetna has signed a contract with the Mayo Clinic, giving employees access to the clinic through their two Aetna plans. Previously, the MMSI plan was the only one offering this access. Since all three medical plans now allow access to Mayo, it may require a restructuring of benefits for the next fiscal year. The lure of the MMSI plan in the past has been access to Mayo; thus, keeping this plan available in the future will have to be discussed. Only about 25 percent of the dollars that run through the MMSI plan are actually expended at the Mayo Clinic. Staff is fairly certain that MMSI will give the City a better deal than Aetna will for those services. However, the other 75 percent of the dollars that run through the MMSI program run through an Arizona Foundation Network that Aetna will get a much better discount on. These issues will have to be weighed when making the decision on whether to keep MMSI available to employees.

In response to an inquiry by Vice Chair Taylor, Mr. Nemec explained that the Mayo Clinic has not participated in many networks in the past, but has been entering into more of these arrangements over the past few years.

Board Member Crowley asked if the MMSI premium is higher than Aetna's. Mr. Nemec explained the MMSI plan is priced approximately 20 percent higher than the Aetna EPO plan, and the employees participating the plan have been required to pay the full differential after employer contribution. If MMSI is eliminated a third Aetna plan may be added giving access to Mayo, while the original two plans would not.

Board Member Anderson stated the City should consider the possibility that Aetna might eliminate the Mayo benefit in the future.

Chair Coughenour asked how the Mayo plan compares historically to the Aetna plan from a loss ratio perspective. Mr. Nemec explained the Aetna plans generally break even, while the MMSI plan loss ratios or claims-to-premium are approximately 150 percent. The plans have been rated on a composite basis for several years, and MMSI has not been compared

separately. Board Member Anderson pointed out that the MMSI pool of employees is older and has higher health costs than the Aetna pool of employees. Chair Coughenour stated the Aetna plan drives deeper discounts that would bring that ratio down, and historically the MMSI rates have been insufficient to cover losses every year. He indicated it might not be a bad thing to eliminate that plan, and instead use Aetna with the deeper discounts.

Chair Coughenour asked what the 12-month rolling loss ratio is today. Mr. Nemec explained July through December fiscal year expenses to revenue is 93 percent on a combined basis. Chair Coughenour asked how that compares to the preceding six months, and Mr. Nemec indicated the numbers are better, but very similar.

5. Continuing Education Regarding Public Service Ethics (Action)

• Presentation and Discussion with Bruce Washburn, City Attorney's Office

Bruce Washburn from the City Attorney's Office presented the Board with the City of Scottsdale Public Service Ethics Training materials, and played the corresponding video.

Mr. Washburn explained there has been one statutory change since last year. The Attorney General's Office has very strongly suggested that any means of communication used among City officials to inform one another of their positions on issues could be deemed in violation of the Open Meeting Law. The Scottsdale City Attorney's Office, along with other public body attorneys, took the position that communications with the media could be construed as a violation of Open Meeting Laws if, in fact, the communication was available to other public officials. There is now a new statute that says it is not a violation of the Open Meeting Laws if a member of a public body expresses an opinion or discusses an issue with the public either at a venue other than at a meeting that is subject to this Article, personally, through the media or other form of public broadcast communication, or through technological means if the opinion or discussion is not principally directed at or directly given to another member of the public body, and there is no concerted plan to engage in collective deliberation to take legal action.

Board Member Crowley asked for clarification regarding sending an email to another board member expressing an opinion on a matter before the Board. Mr. Washburn said that is not a violation, so long as that communication is not passed among other board members. However, it is still considered public record and must be retained. Real trouble begins when emails get forwarded. If it was not the originator's intention that the email be forwarded, the violation would be the recipient's should the email get forwarded.

Mr. Washburn stated if any questions regarding ethics come up during the course of the year, the Board staff liaison can be contacted, or he can be contacted directly at the City Attorney's Office.

OPEN CALL TO THE PUBLIC (A.R.S. § 38-431.02)

No members of the public wished to address the Board.

ADJOURNMENT (Action)

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 9:34 a.m.

Respectfully submitted,
A/V Tronics, Inc.